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COLUMBIA, SOUTH CAROLINA

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APRIL 14, 2010

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ALLOWABLE EX PARTE BRIEFING

*REQUESTED BY SOUTH CAROLINA ELECTRIC & GAS COMPANY - 2010
Integrated Resource Plan*

**TRANSCRIPT OF
PROCEEDINGS**

COMMISSIONERS PRESENT: Elizabeth B. 'Lib' FLEMING, *CHAIRMAN*, John E. "Butch" HOWARD, *VICE CHAIRMAN*; and COMMISSIONERS David A. WRIGHT, G. O'Neal HAMILTON, Randy MITCHELL, and Swain E. WHITFIELD.

ADVISOR TO COMMISSION: Joseph Melchers, Esq.

STAFF: Jocelyn B. Boyd, Interim Chief Clerk/Administrator; F. David Butler, Jr., Senior Counsel; James Spearman, Ph.D., Executive Assistant to the Commissioners; B. Randall Dong, Esq., Legal Staff; Tom Ellison and Lynn Ballentine, Advisory Staff; Jo Elizabeth M. Wheat, CVR-CM-GNSC, Court Reporter; and Hope Adams and Deborah Easterling, Hearing Room Assistants.

APPEARANCES:

SHANNON BOWYER HUDSON, ESQUIRE, representing the SOUTH CAROLINA OFFICE OF REGULATORY STAFF

K. CHAD BURGESS, ESQUIRE, along with *ROBERT E. LONG AND JOSEPH M. LYNCH, Ph.D.*, presenters, representing SOUTH CAROLINA ELECTRIC & GAS COMPANY

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I N D E X**PAGE**

<u>REMARKS BY DR. LYNCH</u>	5
Question(s)/Comment by Vice Chairman Howard.....	17
Question(s)/Comment by Commissioner Whitfield.....	19
Question(s)/Comment by Vice Chairman Howard.....	20
Question(s)/Comment by Chairman Fleming.....	21
Question(s)/Comment by Commissioner Hamilton.....	27
<u>REMARKS BY MR. LONG</u>	28
Question(s)/Comment by Commissioner Wright.....	40
Question(s)/Comment by Commissioner Mitchell.....	42
Question(s)/Comment by Vice Chairman Howard.....	46
Question(s)/Comment by Chairman Fleming.....	50
<u>REPORTER'S CERTIFICATE</u>	52

Please note: PowerPoint presentation attached hereto.

P R O C E E D I N G

CHAIRMAN FLEMING: Please be seated. This ex parte briefing will now come to order. At this time I'd like to ask Attorney Joseph Melchers for the reading of the docket.

MR. MELCHERS: Thank you, Madam Chairman, Commissioners. We are here this morning at the request of South Carolina Electric & Gas Company for an allowable ex parte briefing to be held today, April 14th, at 10:30 in the Commission's hearing room. And the subject matter being discussed at the briefing is South Carolina Electric & Gas Company's 2010 integrated resource plan. Thank you.

CHAIRMAN FLEMING: Thank you. Who represents South Carolina Electric & Gas Company?

MR. BURGESS: Good morning, Madam Chairman and members of the Commission. My name is Chad Burgess, and I represent the South Carolina Electric & Gas Company. It's our pleasure to appear before you today and present to the Commission our IRP. We envision this process as being an open dialogue, an open conversation with the Commission. And I brought with me today two of our resident experts on our IRP, and namely, Mr.

1 Robert Long and Joseph Lynch.

2 **CHAIRMAN FLEMING:** Well, we're happy to have
3 you here, and to have both of you here today, as
4 well. Looking forward to what you have to say and
5 asking you some good questions, hopefully.

6 And who represents the Office Of Regulatory
7 Staff?

8 **MS. HUDSON:** Good morning, Madam Chairman,
9 Vice Chairman, members of the Commission. My name
10 is Shannon Bowyer Hudson. I'm here on behalf of
11 the South Carolina Office of Regulatory Staff.
12 Good morning.

13 **CHAIRMAN FLEMING:** Good morning, Ms. Hudson.
14 Happy to have you here, as well.

15 Well, I guess at this time we'll just turn it
16 over to you, Mr. Burgess.

17 **MR. BURGESS:** I'm not going to do a lot of
18 talking today, Madam Chairman.

19 **CHAIRMAN FLEMING:** Just directing, huh?

20 **MR. BURGESS:** Absolutely. Like I said
21 earlier, Bob Long and Dr. Lynch are here with us
22 today. They're our in-house experts as it relates
23 to the IRP. They are the gentlemen, along with
24 members of their team back at the office, who
25 forecast the needs of our customers, and our

1 customers have come to expect reliable, safe
2 electric service from us, and we provide that on a
3 daily basis, 24 hours day, seven days a week.

4 So without further ado, with your permission,
5 I'll turn it over to these gentlemen and let them
6 go through the presentation. Certainly, feel free
7 to ask any questions as the presentation moves
8 along. It's about 30 minutes in length. Or if you
9 want to ask question at the end, it's totally your
10 preference, and we'll answer any questions that you
11 all have on your mind.

12 **CHAIRMAN FLEMING:** All right, very good.

13 **DR. LYNCH:** Good morning, Chairman Fleming.

14 **CHAIRMAN FLEMING:** Good morning.

15 **DR. LYNCH:** Commissioners. Let me say I
16 appreciate the opportunity to talk about our IRP
17 this morning, too.

18 [Ref: PowerPoint Slide 2]

19 The objective of our IRP has three goals to
20 it: to provide power reliably to our customers, to
21 provide economically priced power, and to provide
22 power that meets all the environmental regulations
23 that we're subject to.

24 [Ref: PowerPoint Slide 3]

25 As you know, the IRP has to pull together

1 three parts: forecasts, demand-side management,
2 and supply-side management.

3 [Ref: PowerPoint Slide 4]

4 I'm going to talk about the forecast and
5 demand-side management parts of the IRP, and Bob
6 Long will talk about the supply-side.

7 [Ref: PowerPoint Slide 5]

8 This chart comes out of our filed report. I
9 think it's the most important chart in our IRP
10 report, because this chart summarizes the whole
11 IRP. It has the forecast, demand-side management,
12 then the supply-side plan to meet that demand.

13 They shaded in the supply-side part of it,
14 which is the bottom here, so I would know when to
15 stop talking and move on to the next slide.

16 Line one there, "Baseline Trend," is the
17 starting part of the forecast. Most of the work in
18 producing the forecast goes into producing that
19 baseline trend. All our statistical modeling,
20 econometric modeling, all the economic data that we
21 use to drive the forecast -- population, income,
22 and that sort of thing -- all goes to produce that
23 baseline trend number, and the result is we see
24 growth there on baseline of about 120 megawatts per
25 year, and that's consistent with the history that

1 we've seen.

2 Line two, "EE Impact," that's the energy
3 efficiency impact that we are projecting. There's
4 two components to energy efficiency: There's a
5 component comprised of the portfolio of energy
6 efficiency programs that SCE&G will present to its
7 customers, I guess, subject to your approval -- if
8 you recall, we had the hearing two weeks ago on the
9 DSM programs -- and the other part of the impact
10 are federal mandates, specifically, the mandated
11 efficiency in lighting and also the efficiency in
12 air-conditioning units where you go from a 10 to a
13 13 CEER. I believe that started in 2006, but it
14 will have effects through the forecast.

15 The other thing to notice on line two at the
16 energy efficiency impact, if you go out to
17 something like 2019, you get upwards of 300
18 megawatts or so, so it's having a significant
19 impact on our forecast and on our plans. And I
20 guess I should add, the forecasting team has a lot
21 more confidence in that first line, the baseline
22 trend, than we do in our projections of energy
23 efficiency impacts. The baseline trend, we're used
24 to doing that, we have the history, we can
25 correlate with statistical models, with the

1 economy, customer growth, and so forth. The energy
2 efficiency is really something that's not in the
3 past but projected in the future, so you can see
4 the problem here.

5 The sum of lines one and two gives us three,
6 the "Gross Territorial Peak." The next line, four,
7 is "Demand Response." Those are demand-response
8 programs. Used to be called load management, but
9 it's really peak-clipping programs. For SCE&G, we
10 have an interruptible load program and a standby
11 generator program. You'll probably also notice
12 this 210 megawatts, and we keep that constant
13 through the planning horizon. I have another slide
14 to address that point, but we believe in the short
15 term and intermediate term, five to ten years, our
16 system really can't handle more than that 210
17 megawatts. Beyond that, maybe more, but we'll have
18 to see as we go forward.

19 Line five is the result of those components to
20 get the "Net Territorial Peak." Line five [sic] is
21 our "Firm Contract Sales," so we sell 250 megawatts
22 to North Carolina, and that sale ends in 2012.

23 Putting it all together, you come to line
24 seven, that's our "Total Firm Obligation." So our
25 supply plan has to meet that firm obligation. We

1 build capacity, purchase capacity, what have you,
2 to meet that load.

3 And as Chad said, I'm happy to answer
4 questions whenever you have them, or at the end,
5 or --

6 **CHAIRMAN FLEMING:** Well, we'll probably wait
7 until the end of your presentation --

8 **DR. LYNCH:** Okay.

9 **CHAIRMAN FLEMING:** -- unless a Commissioner
10 just as a burning question --

11 **DR. LYNCH:** Okay.

12 **CHAIRMAN FLEMING:** -- on a particular point.

13 [Ref: PowerPoint Slide 6]

14 **DR. LYNCH:** This is another chart taken out of
15 our IRP report. And don't worry, I won't go into
16 all the detail here. But I wanted to make a point,
17 because, as you might expect, we've had to present
18 the IRP to management -- there's been several
19 meetings at the company -- and the question came up
20 to me, suggesting that our forecasting team would
21 take data points on graph paper and take a
22 straightedge and just draw a straight line or
23 something, to get that trend. So maybe "trend" is
24 a bad word to use. But as I said before, most of
25 our effort goes into producing that baseline trend,

1 and we break our sales base down into many
2 different components: residential, commercial,
3 industrial. Residential is broken down into
4 single-family and multifamily. We break things
5 down by rate, industrial class, two-digit SIC
6 codes. So there's a lot of work. My forecasting
7 guys say there's about 100 different series that
8 are projected -- I don't know if it's 100; maybe
9 it's only 80, but there's a lot. I mean, there's a
10 lot of effort going into it.

11 This is the short-term forecasting group, so
12 short term is two years, by month. Beyond the two
13 years, we go annually and we collapse the rates, so
14 you're only looking at the classes and the two-
15 digit SIC codes, and so forth.

16 Two points. One point to make about this is
17 our sales forecast drives the revenue forecast for
18 the company, too, and the budgeting process, so we
19 can't be optimistic in our forecast, because of the
20 problems that would cause to running the company.
21 We can't be pessimistic, either. We can't sandbag,
22 because it affects the budget so greatly. So
23 there's a lot of pressure to be right, and that's
24 our goal and why we go through all this process.
25 The other thing I should say, too, is our

1 techniques, the statistical and econometric and so
2 forth, are pretty standard in the industry. I
3 think most large utilities do it the same way as we
4 do, or very similar.

5 [Ref: PowerPoint Slide 7]

6 This is a graph of the year-by-year change in
7 retail sales, going back about 30 years or so. The
8 yellow is the approximate timing of recessions that
9 we've seen, the blue line is the year-by-year
10 change, the red line is the zero point. So any
11 blue above the red indicates a year of growth. And
12 the point here is that when you look over those 30
13 years, most of that blue is above the red line, so
14 we've been growing through these recessions, year
15 after year, almost.

16 When you look at those instances where we fall
17 below the red line, at least historically before
18 2009, it's always been a short drop and we come
19 right back. So the point being, we have growth
20 through recessions. 2009 was a little -- well,
21 it's different. That sort of impacted us, the
22 economy, other utilities, a little more drastically
23 than other recessions. We do see -- we are
24 planning on sort of a rebound and continued growth
25 after this recession, but we're not expecting what

1 they call a V-shaped rebound. That's where the
2 economists say you go down and come right back up,
3 right after a recession. It's more of a U. So we
4 figure it's going to take us two years to get back
5 where we are -- where we were, and then continue to
6 grow beyond that.

7 [Ref: PowerPoint Slide 8]

8 To guide us in the forecasting and interpret
9 the economic conditions, we rely on IHS Global
10 Insights. That's an economic forecasting outfit.
11 I think it's the biggest in the country, the most
12 well known. So we rely on their forecast and help
13 to interpret what they mean for our sales. I
14 graphed a few things -- population, employment, and
15 real income -- just to compare some South Carolina
16 growth to the nation. Then it just says Columbia
17 and Charleston will be growing faster than the
18 United States, Columbia and Charleston being most
19 of our business, 80, 90 percent of it, I believe.
20 And it's just another indication that there should
21 be growth in our service territory, going forward.

22 [Ref: PowerPoint Slide 9]

23 Because of all the uncertainty, we felt the
24 need -- and it's probably a wise thing to do anyway
25 -- to do scenario planning, so we generated a high

1 and a low forecast, and that's included in our IRP
2 report. I won't go into all the numbers, but maybe
3 just to point out and explain, looking at the line
4 "Residential," our base forecast shows 2.2 percent
5 growth in sales; that's what we're expecting. The
6 high scenario went up to 2.7 percent. So the
7 forecasting team went in and looked at customer
8 growth, assumed if it grew a little faster, average
9 use a little faster growth, things of that sort,
10 and this is sort of the resulting growth rate. The
11 low scenario, similarly computed. We've got 1-1/2
12 percent.

13 Historically, pre-recession, we were growing
14 at 2.7 percent. And one of the points to the chart
15 is I'm hoping to prove that our base forecast at
16 least is reasonable. Even the high forecast, we've
17 seen that kind of growth, we've seen in the past,
18 so that's not an unusual -- in fact, I think it's
19 something I think we all hope for. The low, I'm
20 not sure how reasonable that is. I guess you have
21 to worry about that, but I'm leaning more towards
22 the base forecast.

23 When you put all these growth rates together,
24 this --

25 [Ref: PowerPoint Slide 10]

-- table shows the impact on firm peak demand. So in shade here are numbers essentially taken out of that first chart I showed you; that's our base forecast with firm demand. To the right of it is the high scenario. So it looks like, when you go out ten years, it's like plus 500, 600 megawatts, to get a high number. The low scenario, minus 500, minus -- seems a little bit balanced there. That wasn't the intention.

And so the result of these forecasts, that's included in the IRP and something that we'll keep looking at and worrying about. Hopefully as we go the next few years, some of this uncertainty will dissipate and we'll have a better feel for the future.

[Ref: PowerPoint Slide 11]

This chart shows the components of the DSM impact, so we have three components. The demand response is in blue, and you can see there's 210 megawatts, is what it represents, constant out the planning horizon. In red, I have the SCE&G energy efficiency programs stacked on top of that. And so we grew those out, and we actually grew it out ten years and then held it flat beyond that. And really the reason was, is just that the energy

1 efficiency impact was getting so great, it became
2 hard for us to believe it. But when Bob Long talks
3 about our supply plan, there's a lot of
4 flexibility, so we will be able to deal with a
5 greater impact or a lesser impact from the supply
6 side, so it's not too much of a worry. The green,
7 then, is the federal mandates, and we add that on
8 top. In total you're above 500 megawatts when you
9 get out to 2019 or so.

10 [Ref: PowerPoint Slide 12]

11 Now, I want to talk about the demand response
12 being constant, 210 megawatts, through the history
13 -- or, through the forecast, the planning horizon.
14 You can see there in red, SCE&G has about 4.2
15 percent of demand response, 4.2 percent of the peak
16 demand. So if you take that 210 megawatts, divide
17 by a peak of 5,000 megawatts, about, you get the
18 4.2 percent. And if you look below SCE&G and look
19 at SERC-Southern, and here's SERC down below, is
20 3.3 percent. So down in the Southeast, I think we
21 compare very well to other areas in the Southeast.
22 The other thing to keep in mind is that reserve
23 margin has a lot to do with how much demand
24 response you can put in your plan. So if you take
25 Florida, for example, the biggest -- they've got

1 7.7 percent -- in 2010 where this data is coming
2 from, it's the forecast for 2010 that comes out of
3 NERC, Florida has a 25 percent reserve margin in
4 that -- or, they're planning on that. And there's
5 a mandate in Florida to have a minimum of 20
6 percent, and I'm sure that if SCE&G had a
7 requirement for a 20 percent reserve margin, we
8 would add more demand response, too. We wouldn't
9 make that up just with generating plants.

10 [Ref: PowerPoint Slide 13]

11 This is my last slide, and I just want to
12 point out a couple of key points that hopefully I
13 made, but I want you to walk away with. So, one,
14 SCE&G sales, we've grown through many recessions.
15 We expect to keep growing.

16 Two, we have a lot of uncertainty today: The
17 recession and how you grow out of it, all this
18 energy efficiency, our programs and the government
19 mandates, and conservation in general.

20 Three, SCE&G uses the same techniques as other
21 utilities in the industry. We're on par with
22 everyone.

23 Four, we get our projections of the economy
24 from Global Insights, one of the better-known
25 economic forecasting houses.

1 Five, we have a broad portfolio of energy
2 efficiency programs that are going to -- we expect
3 to impact the demand forecast.

4 And my last point, that SCE&G has a level of
5 peak-shaving, demand-response capability that is
6 comparable to others in the industry.

7 [Ref: PowerPoint Slide 14]

8 With that, that's mine. I can sit down and
9 let Bob go through the supply side, if that --

10 **CHAIRMAN FLEMING:** Well, let me see if there
11 are any questions for you, Dr. Lynch, before we
12 proceed. Are there -- all right, Commissioner
13 Howard.

14 **VICE CHAIRMAN HOWARD:** Good morning, Dr.
15 Lynch.

16 **DR. LYNCH:** Good morning, Commissioner.

17 **VICE CHAIRMAN HOWARD:** Going back to your -- I
18 think your second or third slide, the one that had
19 the chart on it with the green bottom?

20 **DR. LYNCH:** Oh, the green bottom?

21 **VICE CHAIRMAN HOWARD:** Yeah, the one that had
22 -- Slide No. 5.

23 **DR. LYNCH:** This one?

24 [Ref: PowerPoint Slide 5]

25 **VICE CHAIRMAN HOWARD:** Yeah. What is the use

1 of capacity margin, and how do you use -- we
2 understand reserve margin; we hear it all the time.

3 **DR. LYNCH:** Yeah.

4 **VICE CHAIRMAN HOWARD:** But we very seldom hear
5 "capacity margin," and why is it there and what's
6 it used for?

7 **DR. LYNCH:** Yeah. Well, and we put formulas
8 down here, but -- and I guess I'm saving Bob some
9 effort.

10 **VICE CHAIRMAN HOWARD:** Well, I'll wait for
11 him.

12 **DR. LYNCH:** No, I'll do it. The two things
13 measure the exact same thing. You take the margin
14 and for the reserve you divide it by the firm peak
15 demand. For the capacity margin, you take that
16 margin capacity and divide by the supply side. So
17 they measure the same thing. The important point
18 is to make sure you're consistent when you talk
19 about it, comparing from other utilities or through
20 the industry. I think the industry standard is
21 reserve margin. That's been my experience over the
22 history. We put it in there because you see it
23 different places, you know, so we put both there
24 more for convenience, but we always talk reserve
25 margin. Does that --

1 **VICE CHAIRMAN HOWARD:** Yeah. I was just
2 curious, because you never see -- you hear "reserve
3 margin" all the time.

4 **CHAIRMAN FLEMING:** Are there any more
5 questions? Yes, Commissioner Whitfield.

6 **COMMISSIONER WHITFIELD:** Thank you, Madam
7 Chairman.

8 Dr. Lynch, while you have that same slide up,
9 on your line six -- and I think this is also true
10 in the high- and low-load scenarios, which were
11 pages 31, 32, and 33 -- does that represent, or I
12 guess I thought originally that might represent the
13 Orangeburg wholesale load, but I think I heard you
14 say a little bit ago that represented sales to
15 North Carolina. Is that what you said?

16 **DR. LYNCH:** Yes. Yeah. So that's a contract
17 we entered into when we built the Jasper Plant in
18 2004, and we had an opportunity to build a larger
19 plant. Instead of two turbines -- a two-on-one
20 scenario, two turbines with one steam turbine, two-
21 on-one -- the engineers said if you build three-on-
22 one, that extra capacity would be really cheap,
23 very inexpensive. So we went to the three-on-one
24 and contracted with North Carolina to make that
25 sale. And, of course, when it drops off now, that

1 capacity would be free for our system.

2 **COMMISSIONER WHITFIELD:** So that doesn't
3 represent anything to do with Orangeburg or any
4 other --

5 **DR. LYNCH:** No, no.

6 **COMMISSIONER WHITFIELD:** -- wholesale to
7 municipalities in this State.

8 **DR. LYNCH:** No.

9 **COMMISSIONER WHITFIELD:** Okay, thank you, sir.
10 That's all I have, Madam Chairman.

11 **CHAIRMAN FLEMING:** Are there any other -- yes,
12 Commissioner Howard.

13 **VICE CHAIRMAN HOWARD:** I'm looking at slide
14 number six, developing the baseline trend.

15 [Ref: PowerPoint Slide 6]

16 The last two items, I guess classed 92 and
17 97 --

18 **DR. LYNCH:** Yes.

19 **VICE CHAIRMAN HOWARD:** -- does that constitute
20 most of your contract sales? I mean, is that most
21 of your wholesale agreements?

22 **DR. LYNCH:** Those would be all the wholesale
23 agreements in our control area, in our service
24 territory. The other firm contract would be the
25 one we were just talking about, the 250 to North

1 Carolina. Yeah, but that would be all our
2 wholesale business. Now, there's some -- other
3 sales would be non-firm, so it wouldn't be part of
4 our plan.

5 **VICE CHAIRMAN HOWARD:** And I read that you
6 have four municipal accounts.

7 **DR. LYNCH:** Yes. Yes.

8 **VICE CHAIRMAN HOWARD:** Okay, thank you. I was
9 just curious. Thank you.

10 **CHAIRMAN FLEMING:** Any other --

11 **DR. LYNCH:** Can I --

12 **CHAIRMAN FLEMING:** -- questions?

13 **DR. LYNCH:** Can I correct something, just to
14 make sure? Because I'm thinking four -- we
15 probably, in this, have Greenwood. Up until the
16 end of 2009, that was part of our territorial load,
17 but they left, so this probably should've said
18 three. Three municipal accounts.

19 **VICE CHAIRMAN HOWARD:** Okay.

20 **CHAIRMAN FLEMING:** All right. On slide seven,
21 page seven --

22 **DR. LYNCH:** Yes.

23 [Ref: PowerPoint Slide 7]

24 **CHAIRMAN FLEMING:** -- on that blue line, where
25 are you right at this point?

1 DR. LYNCH: Well, this was 2009.

2 CHAIRMAN FLEMING: Uh-huh. I'm saying, how
3 much -- where are you today, at 2010?

4 DR. LYNCH: Oh, how have we grown the first
5 couple months of 2010?

6 CHAIRMAN FLEMING: Yeah, I'd just like to know
7 where you -- what the status is today, in retail
8 sales.

9 DR. LYNCH: Oh.

10 CHAIRMAN FLEMING: You said that you were
11 looking at taking a couple of years before you
12 thought you would be --

13 DR. LYNCH: Back where we were, yeah.

14 CHAIRMAN FLEMING: Uh-huh. But you don't know
15 where you are today.

16 DR. LYNCH: Well, because of the weather,
17 we've increased sales a lot over the first -- you
18 know, the winter was very cold. I know we're at
19 about 1-1/2 percent growth this year over last,
20 when you take the weather effect out. 1-1/2
21 percent, I'm trying to think --

22 CHAIRMAN FLEMING: Where would that be on the
23 graph, can you say?

24 DR. LYNCH: Can I do that in my head? So
25 you're in the neighborhood of 22,000 gigawatt-hours

1 a year. 1-1/2 percent would be 330, so figuring
2 somewhere around -- if you annualized it, because
3 we only have two months, but if that rate continued
4 annually, I suppose it would be somewhere around
5 here [indicating], about 400, 3-400 gigawatt-hours.
6 And hopefully in the summer -- we'll pick up more
7 -- you get more growth in the summer, too.

8 **CHAIRMAN FLEMING:** And what was the baseline
9 for like 2009? I know you started the baseline
10 trend at 2010. Or 2008, let's say 2008.

11 **DR. LYNCH:** Oh, what was the --

12 **CHAIRMAN FLEMING:** Before it dropped down.

13 **DR. LYNCH:** What was the actual number?

14 **CHAIRMAN FLEMING:** I don't have that. I just
15 have for 2010, which is 4,972.

16 **DR. LYNCH:** I might have it -- there's a table
17 in the IRP.

18 **CHAIRMAN FLEMING:** Well, I guess what I'm
19 trying to understand, you had said that you thought
20 it would be that, because of the economic downturn,
21 it --

22 **DR. LYNCH:** Yeah.

23 **CHAIRMAN FLEMING:** -- was going to take awhile
24 to get back up to the point you were.

25 **DR. LYNCH:** Yeah.

1 **CHAIRMAN FLEMING:** But on the baseline trend,
2 it continues to grow, on page five --

3 **DR. LYNCH:** Yes, okay.

4 **CHAIRMAN FLEMING:** -- even though -- I'm just
5 trying to figure out about how you did the
6 forecast, even though the base -- it's supposed to
7 not get back up for a couple of years.

8 **DR. LYNCH:** Yeah, oh, but it would -- so on
9 that table, you only have forecast. So we'd say
10 with 2010 we believe we'll be here [indicating],
11 '11 here [indicating], and so it would grow there.
12 But what this shows is that 2009 was sort of a --
13 this is the actual, an actual decline.

14 **CHAIRMAN FLEMING:** Uh-huh.

15 **DR. LYNCH:** And then in that table I'm showing
16 the results of this point and this point
17 [indicating], so from 2010, beyond, everything is
18 positive, it's all growth --

19 **CHAIRMAN FLEMING:** Okay.

20 **DR. LYNCH:** -- which should be reflected in
21 that table. And the reason I'm saying two years is
22 because this drop here is close to 800 gigawatt-
23 hours, and you see next year we're saying maybe
24 600, 6-700. The next point is about 500 --

25 **CHAIRMAN FLEMING:** In growth.

1 **DR. LYNCH:** -- in growth, so that gives me
2 maybe 1,000, 1,100, in that range. So you can see
3 it's going to take till 2011 to get all of this
4 back.

5 **CHAIRMAN FLEMING:** Okay.

6 **DR. LYNCH:** That was sort of my point there.

7 **CHAIRMAN FLEMING:** All right. And the other
8 question I had on that chart, the demand response,
9 you said that the system couldn't handle any more.

10 **DR. LYNCH:** Yes.

11 **CHAIRMAN FLEMING:** But, yet, it could if we
12 had a higher reserve margin, like Florida?

13 **DR. LYNCH:** Yes, that's what I was -- right.

14 **CHAIRMAN FLEMING:** Can you explain that?

15 **DR. LYNCH:** Yeah, what's the best way. Well,
16 I guess what I see in the system is our reserve
17 margin, the target is from 12 to 18 percent, and we
18 kind of hug that 12 percent as the minimum. And so
19 if we have demand response of 4 percent, that
20 leaves 8 percent of capacity to generate on the
21 system. And as you go throughout the year, if we
22 have a lot of hot days in the summer, a lot of
23 broad peaks, and we're thinking you can't rely on
24 demand response for too many days out of the year.
25 I mean, people just won't -- you know, wouldn't

1 sign up for it, or wouldn't deal with it. Plus,
2 you have to follow the load through the year. So
3 you need generating capacity, I'm thinking, not
4 only in the summer, the peaking season, but
5 throughout the year. And on our system, if you
6 have 4 percent demand response, then we have --
7 Saluda's another 200 or so on megawatts that we try
8 to hold back a little bit, for the water, the river
9 and the lake. It's just a question of running the
10 system. But if we go up to 20 percent, now we have
11 to -- 20 percent of the system would be -- what is
12 that, like 1,000 megawatts or so. 20 percent of --
13 yeah, 20 percent would be like 1,000 megawatts. In
14 fact, I should probably go back.

15 [Ref: PowerPoint Slide 5]

16 So our reserves are around 600 megawatts; that
17 gives us the 12 percent. If we go up to 1,000
18 megawatts, you say, well, where's that other 400
19 going to come from? And I'm saying we could add
20 some more demand response to make up that 400. And
21 we'd also add some more generating capacity, and
22 then that would take us throughout the year. You
23 wouldn't be so dependent on any one demand-response
24 program to meet the load.

25 **CHAIRMAN FLEMING:** Although you are increasing

1 it, the reserve margin, is -- I guess you get more
2 capacity.

3 **DR. LYNCH:** Oh, yeah, because the 12 percent
4 as the load grows, and the capacity of 12 percent
5 would -- 12 to 13 percent would keep it up, that
6 way.

7 **CHAIRMAN FLEMING:** Okay. All right. Thank
8 you.

9 **COMMISSIONER HAMILTON:** Madam Chair.

10 **CHAIRMAN FLEMING:** Commissioner Hamilton.

11 **COMMISSIONER HAMILTON:** Mr. Lynch, while
12 you're still on this page, on the energy efficiency
13 and renewables, what plan do you have for backup
14 power for those?

15 **DR. LYNCH:** Well, for the energy efficiency,
16 the hope is that that gets embedded into the
17 customer's load. So if he puts insulation in the
18 home, or high-efficiency lighting or motors, his
19 load is down and you don't really have to back it
20 up or worry about it. If we do have renewables, I
21 guess you would have to worry -- I mean, for
22 example, wind power, you would have to worry about
23 how you back that up when the wind isn't blowing.

24 So I know other places that have wind -- in
25 particular, like Texas, Arcot, they only consider 8

1 percent of the capacity as being firm. PJM had 15
2 percent. MISO, I think, had 8 percent, as well.
3 So if you put 100 megawatts of wind, they say you
4 really have eight megawatts of firm capacity for
5 supply reserves, and so forth, meaning the other 92
6 percent would have to be backed up with peaking or
7 something else. Maybe demand response.

8 **COMMISSIONER HAMILTON:** Okay. But at the
9 present time, you aren't planning anything for
10 renewables.

11 **DR. LYNCH:** No. I mean, we're looking at it,
12 but nothing is planned right now.

13 **COMMISSIONER HAMILTON:** Thank you, sir.

14 **CHAIRMAN FLEMING:** All right. Any more
15 questions?

16 [No response]

17 All right, thank you, Dr. Lynch. Mr. Long.

18 **MR. LONG:** Good morning, Commission Fleming --

19 **CHAIRMAN FLEMING:** Good morning.

20 **MR. LONG:** -- and Vice Chairman, and
21 Commissioners.

22 Joe has established the firm obligation that
23 we have, and I'm going to --

24 **DR. LYNCH:** Oh --

25 **MR. LONG:** That's all right.

[Ref: PowerPoint Slide 15]

So Joe has established our firm peak, and that grows over the 50-year forecast period that we have. The question is, how are we going to supply and meet that peak?

And if we look at the next decade, we have today 5,685 megawatts in our generation fleet, and we'll need to add new generation. And with adding that new generation in this next decade, it will give us the opportunity to remove some existing, aging coal generation, with some plants that we've indicated. The addition of new generation will be our two nuclear plants, 1,228 megawatts, and the opportunity to remove -- depending on how our plan evolves over this ten-year period -- the opportunity to remove maybe 300 megawatts of coal generation. The nearer term, the next five or six years, will be met -- any deficiencies will be met with short-term, year-to-year purchases.

Now, Joe has spoken --

[Ref: PowerPoint Slide 16]

-- about the reserve, so I'm going to page forward and then page back one. In planning we have to take into account many variables, some known, some unpredictable, unknown. The one we

1 know is we are part of a regional integrated grid
2 that requires reliability, reliability of our
3 system at all times, so we have an operating-
4 reserve reliability and megawatts that are greater
5 than just meeting our peak. We have to worry about
6 plants that, when called on, may not operate at
7 that moment, or there may be a forced outage of
8 these plants. And in a similar way, where there is
9 weather beyond what this normal weather forecast
10 calls for, we have to stand ready to be able to
11 deliver that energy.

12 So when we take that into consideration, we
13 believe a 12 to 18 percent reserve margin is
14 prudent in our planning.

15 [Ref: PowerPoint Slide 15]

16 Now, just to page back a moment, Joe has
17 pointed, on line 15, the margin that we have with
18 this supply plan that we have, and on line 16 is
19 the calculation of the peak-demand reserve margin.
20 That is the margin as a percent of our peak demand.

21 [Ref: PowerPoint Slide 17]

22 Forwarding two charts, I've drawn a curve.
23 The lower curve, in yellow, represents the minimum
24 12 percent reserve over peak, and the parallel line
25 in red represents an 18 percent reserve over our

1 peak. And in between those two curves is the ideal
2 supply plan that we would have for our customers,
3 given the 12 to 18 percent reserve margin. The
4 straight line, beginning in 2009 and going to 2016,
5 represents the megawatts we have in our fleet
6 today, 5,685 megawatts. And where we fall below
7 the curve, the minimum curve, we'll meet with
8 short-term purchases, year-to-year purchases.
9 That's over the next five or six years as we
10 anticipate the addition of the new nuclear
11 generation in 2016.

12 So we have a very flexible plan to have a
13 chance to see how the energy efficiency programs
14 develop, the participation in the programs, the
15 megawatts that we can count on or have occur, and
16 so over this next five- or six-year period, in
17 anticipation of the nuclear, we have flexibility.
18 And once we have the nuclear additions in 2016 and
19 2019, we also have opportunities to look at our
20 coal fleet, our aging coal fleet, to see if removal
21 of the plants that we've identified, or others, may
22 be appropriate.

23 Out in the last five years of the 15 years, we
24 have the additions of simple-cycle turbines. Now,
25 that is so far out, we'll have a chance, I believe,

1 to talk with you again about how this plan evolves,
2 but we could go back and look at plants that had
3 been removed in terms of repowering, if needed, or
4 at that same site placing the simple-cycle
5 turbines. So a lot of flexibility in our plan.

6 [Ref: PowerPoint Slide 18]

7 This chart looks at our nameplate rating.
8 This has our generation capacity. This does not
9 represent the energy delivered, it represents the
10 nameplate of our capacity. And as we are
11 positioned today, we are fairly heavily weighted
12 with coal and gas, but when we look out to 2019, a
13 period when we have our two additions of nuclear
14 generators, we have a very balanced portfolio, with
15 nuclear representing 29 percent, and you can see
16 the coal, 33 percent, and gas, 25 percent.

17 [Ref: PowerPoint Slide 19]

18 Now, when we deliver the energy to our
19 customers, we talk in terms of the generation mix,
20 how the energy is distributed, or how the plants
21 deliver the energy. And this chart is intended to
22 show that in today, or in 2009, 23 percent of our
23 energy delivered was from non-emitting sources:
24 nuclear, hydro, and a biomass unit located in the
25 North Charleston area. After the addition of our

1 nuclear generators, we will have -- approaching 60
2 percent of the energy delivered to our customers
3 will be non-emitting.

4 [Ref: PowerPoint Slide 20]

5 When I think of the opening objective
6 statement that Joe mentioned -- economical,
7 reliable, compliant -- I wanted to chart what some
8 of the environmental standards or limits that we
9 have to keep eyes on and have to work under. We
10 have the Clean Air, and we have the Clean Air
11 Interstate Rule, and these are limits that for our
12 system become more stringent and -- or become more
13 difficult to achieve over time. So I have charted
14 our limits in terms of sulfur dioxide and nitrous
15 oxide. And in the next chart --

16 [Ref: PowerPoint Slide 21]

17 -- I've layered over top of that the actual
18 and projected emissions that we have. So when we
19 look at the area of 2010, this period here
20 [indicating], the limit drops down to 30,000 or so
21 tons. That's not a precise number, but in the
22 30,000 range. And with the addition of our
23 scrubbers at Williams and, later this year, the
24 scrubber at Wateree, we are able to achieve below
25 that limit in terms of the energy that we deliver,

1 and with the addition of the nuclear generation
2 later in this decade, 2016 and 2019, those matters
3 help us manage below the limits imposed upon us by
4 the environmental compliance rules.

5 In a similar way, we have the nitrous oxide
6 shown, in how we're able to manage below the
7 limits.

8 [Ref: PowerPoint Slide 22]

9 Now there's a lot of debate and rules not yet
10 certain about carbon. And rather than speculate
11 what may happen, we have positioned ourselves with
12 the non-emitting generators that are being added to
13 our generation fleet that we will be -- we don't
14 know exactly where the line will be drawn or how
15 many allowances we'll be given or what the price
16 per ton may be, but we feel confident and I feel
17 assured that whatever it will be, we'll be better
18 off with our fleet that we have by adding our
19 nuclear generators.

20 So you can see here, by 2019, the dispatch of
21 our system yields emissions of carbon less than we
22 had in the mid-90s. So it's a very positive
23 picture as we look out.

24 [Ref: PowerPoint Slide 23]

25 Now we talked a moment ago -- I think there

1 was a question about renewables and what are we
2 doing or not. I should have mentioned just a
3 moment ago that -- and drawn attention to the
4 existing biomass unit we have down in the
5 Charleston area. There's a co-generation facility
6 now operated by Capstone, and we have a generator
7 -- SCE&G has a generator there that utilizes the
8 steam from that process. We have as much as 45
9 megawatts, but more importantly, translated into
10 energy, 351,000 megawatt-hours last year that were
11 generated from wood chips, black liquor, the other
12 renewable resources at that site. And last year we
13 had the Center for Resource Solutions take a look
14 at the methodology by which we determine how many
15 of those megawatt-hours are green, and we had those
16 certified as green. We do have on our system today
17 renewable generation from an existing facility, but
18 we anticipate there may be more rules, or certainly
19 we want to be understanding of what is taking place
20 in the market today with renewable generation.

21 The legislative committee -- the legislature
22 had a study committee on offshore wind, or clean
23 energy -- coastal -- clean coastal energy. We
24 participated and had staff people participate in
25 that study, to see what that would mean. While it

1 may mean still-expensive power relative to power
2 that we are able to produce today, there may be
3 able to wrap around that a lot of economic
4 development that may benefit the State of South
5 Carolina. So there's not yet a business case,
6 business model, but we are very much involved in
7 what possibilities may occur.

8 In terms of biomass projects, we see projects
9 presented to us that are 50 kW all the way to 50
10 megawatts. And while the economics don't appear
11 today, we have to be aware of how that industry,
12 how that technology, how that possibility of
13 biomass may evolve, if standards become a rule that
14 we have to follow.

15 We also are looking at co-firing some of our
16 existing plants with biomass. We have a piece of
17 equipment that we plan to use later this year that
18 can inject, into the furnace, biomass chips. And
19 we don't have a target, we don't know the
20 economics, but we are studying to see what
21 potential that may bring for adding some biomass to
22 the generation in our existing plants.

23 And solar, while the cost per watt of solar
24 panels are coming down, it still hasn't found a
25 clearing point on our system. But there are some

1 other related solar technologies, and we continue
2 to evaluate those and still have discussions. What
3 we do have in solar are 30 or more customers that
4 have their own generators, on-site customer
5 generators -- these are small, relatively small
6 residential and commercial customers -- with maybe
7 half of them participating in the form of net
8 metering, that is displacing load they would have
9 taken from SCE&G, or another half that are
10 connected to our grid and delivering their energy,
11 and also getting a financial incentive from
12 Palmetto Clean Energy, the PaCE program.

13 [Ref: PowerPoint Slide 24]

14 I wanted to add a little color as we sort of
15 get to the end of our formal slides. Our graphics
16 arts folks didn't want us to park the car in a lot
17 and have a chance of losing it or not being able to
18 find it, so we can always find the car when we
19 return to it.

20 But we continue to study, to get data from the
21 car that we converted from a Toyota Prius into a
22 plug-in hybrid car, to see how consumers will
23 behave in their driving, how often they'll charge,
24 recharge, and some of the consumer habits.

25 We also were successful, with a coalition,

1 Plug In Carolina Coalition, in getting grant money
2 so that the City of Columbia and the City of
3 Charleston each could get six recharging stations
4 to be placed in their municipal parking areas.
5 This is to understand how consumers will behave
6 when wanting to charge what appears to be a growing
7 demand for electric transportation.

8 One statistic I saw was that each household --
9 I think it's South Carolina -- each household has
10 about 2.4 cars. When I was raising my children, we
11 had many more, but 2.4 cars, and we have over 1/2
12 million residential customers. It's not just math,
13 but if you have a million cars and you have a
14 penetration or market able to reach a portion of
15 those, we have to begin to think what impact that
16 will have on our system. Now, if we can send the
17 right pricing signal, the right education
18 information, to customers to charge off-peak, we
19 have plenty of energy. If customers practice a
20 habit of range anxiety -- I'm going to get in and
21 I'm going to travel, but I want to be sure I get
22 back, and I don't care what time it is, I can plug
23 it in and there's no penalty for plugging it in,
24 and I want a fast charge -- we may have to go back
25 to Joe's demand forecast and adjust what may occur

1 at peak. But an interesting technology. There are
2 many more to talk about, but a little color as we
3 get to the end.

4 [Ref: PowerPoint Slide 25]

5 So the summary I would offer about our supply
6 side is we have tremendous flexibility, especially
7 in this next five or six years as we lead to the
8 point of our nuclear generation being added to our
9 system. A greater portion of what we deliver will
10 be from clean, non-emitting resources. We continue
11 to track and monitor what's going on at the
12 renewable market. We don't ignore it and we don't
13 have barriers built up against it. We're still
14 guided by economical, reliable, compliant energy
15 for our customers.

16 There will be less emissions in the future.
17 And while I don't know the laws that may be coming,
18 I know we need to be flexible and be prepared to
19 deal with them when they do. In any case, we'll
20 have a greater -- we will have mitigated some of
21 the cost that could be layered on our customers by
22 the technologies of -- clean technologies that we
23 have committed to already.

24 Joe and I may have stimu- -- may have caused
25 you to have some comments back to us, or questions.

1 We'll be glad to respond to any that you have.

2 **CHAIRMAN FLEMING:** Okay, thank you.

3 Commissioners. Commissioner Wright.

4 **COMMISSIONER WRIGHT:** Good morning. I was
5 looking in the IRP -- it's on page A-6 -- where
6 you're talking about the 4.4 percent loss, I think,
7 in territorial sales. And it is my question for
8 that, is that an industry -- is that near an
9 industry average? Is it above or below it? Or how
10 does that relate to like a typical utility around
11 the country, is it comparable?

12 **MR. LONG:** You want to speak to that?

13 **DR. LYNCH:** Losses on the system, transmission
14 losses? I don't really know. I know ours for
15 years have been in that range. A little bit
16 higher, little bit lower, but always around the 4
17 percent.

18 **COMMISSIONER WRIGHT:** But you don't know how
19 that relates to other utilities, or --

20 **DR. LYNCH:** Other utilities, I don't.

21 **COMMISSIONER WRIGHT:** All right. And I guess
22 on transmission, I was thinking about the NERC
23 reliability standards and the reporting
24 requirements and all that stuff that goes with it.
25 How does that compliance with the NERC standards

1 and stuff, does it -- how does it impact
2 transmission planning and operations? Can you
3 address that for me? Or is that something that
4 you're able to?

5 **DR. LYNCH:** Well, we have a committee -- our
6 transmission department has an ERO committee that
7 sort of manages the process. I'm sort of on the
8 fringes of it, but I know they meet regularly, they
9 do internal audits in preparation for NERC audits.
10 I think it has a big impact on the company.
11 There's a lot of paperwork and proving that you're
12 doing things and that sort of thing. So it's a big
13 effort at the company to make sure, you know, that
14 we're in compliance.

15 **COMMISSIONER WRIGHT:** How does that impact any
16 of the planning that you're doing here, that you --
17 basically in your presentations today?

18 **DR. LYNCH:** Well, maybe that's why I don't
19 have all the -- in terms of resource planning, it
20 doesn't impact it at all. Where it would impact
21 potentially in the future is, if SERC or NERC or
22 FERC decided that there's a certain reserve margin
23 criteria that everybody has to meet, you know, that
24 would certainly impact our resource plan. But
25 right now, I think we've decided 12 to 18 percent;

1 the Commission has been accepting of our guidance,
2 and, you know -- but I try to keep up to date with
3 what FERC is doing, because I worry about that.

4 **COMMISSIONER WRIGHT:** So I guess in the
5 territorial sales or loss, or, you know, the system
6 losses or whatever like that, that's all kind of
7 part -- you just pick -- that's a number, I guess,
8 that you're just comfortable with, based on
9 historical averages for SCE&G?

10 **DR. LYNCH:** Well, yeah. And we're certain of
11 the number because we know how much is generating,
12 and we know how much hit the meters, so you can do
13 the arithmetic and say, "Well, there's the losses,
14 the unaccounted-for piece." And we run studies to
15 measure it, and we use it in all our studies.

16 **COMMISSIONER WRIGHT:** Right.

17 **DR. LYNCH:** And I guess that -- I haven't
18 given it much thought.

19 **COMMISSIONER WRIGHT:** Okay, thank you.

20 **CHAIRMAN FLEMING:** All right. Thanks.

21 Commissioner Mitchell.

22 **COMMISSIONER MITCHELL:** Thank you, Madam
23 Chairman.

24 Mr. Long, you refer to regional transmission,
25 and I want to take a look at that planning process.

1 And we know here in South Carolina we have a joint
2 effort with South Carolina Electric & Gas and
3 Santee Cooper, which is very good and seems to be
4 working real well. How would that compare with the
5 collaborative that might be undertaken in North
6 Carolina as far as their transmission plan? Could
7 you just give me a comparison of how they do it and
8 how we do it?

9 **MR. LONG:** I regret that we couldn't convince
10 our transmission planner to join us today. He had
11 to be out of town. But on the transmission, Clay
12 Young is very involved in the transmission studies.
13 I can't answer directly what North Carolina is
14 doing, but it is an integrated process.

15 The reference I made to reliability and the
16 interconnection was primarily to our VACAR, were we
17 have to have spinning reserves, so that the system
18 can call on neighbors and others at any moment.
19 And we have our lines packed and our lines loaded
20 with reserves that they can call on at any time.

21 **COMMISSIONER MITCHELL:** But would you agree
22 with me that they might have an independent third-
23 party facilitator that might ensure -- or could
24 ensure the interests of the stakeholders, and maybe
25 represent the public in a different contrast with

1 the way we do it here in South Carolina? Or are
2 you aware of that?

3 **MR. LONG:** Do you have an answer?

4 **DR. LYNCH:** Are you thinking of that Eastern
5 Interconnection Collaborative?

6 **COMMISSIONER MITCHELL:** Right. Right, that's
7 what -- that collaborative.

8 **DR. LYNCH:** Yeah. Well, I spoke to our
9 transmission people about that. We are signatories
10 to that agreement, so SCE&G transmission is part of
11 it.

12 **COMMISSIONER MITCHELL:** Right.

13 **DR. LYNCH:** And as I understand it, the
14 purpose of the collaborative was to actually
15 measure the transmission costs and what equipment
16 would be needed when -- if there was a federal
17 mandate for renewable power, for example. Or even
18 if a state required a certain amount of renewable
19 power. The vision that we had was wind coming from
20 the Midwest, having to come to South Carolina,
21 something like that. There would be consequences
22 on the transmission system, not only SCE&G's but a
23 lot of the systems in between. And the purpose of
24 the collaborative was to have a sort of an
25 independent -- it would be the transmission owners

1 doing the studies, and they were supposed to be
2 independent and indifferent to the results, but to
3 actually measure them. So if DOE, for examples,
4 wants to move all this wind to the East, this
5 collaborative would measure the cost, presumably.

6 **COMMISSIONER MITCHELL:** Right.

7 **DR. LYNCH:** Yeah. And that is certainly -- at
8 SCE&G right now, we worry about our own system. We
9 do regional studies, and that's what we mention in
10 the IRP, that we work with all the companies in
11 VACAR and even beyond that, PJM and MISO and AEP,
12 so the whole -- you know, a big region, we look at
13 contingencies that would impact the transmission,
14 everybody's transmission systems, and we run those
15 studies all the time. Plus a lot of studies just
16 on SCE&G's system, because we worry about our own
17 business. So we do all of that, but those studies,
18 we don't anticipate bringing wind --

19 **COMMISSIONER MITCHELL:** Absolutely, and I just
20 brought it up, just to show the contrast, and
21 apparently it seems to be working very well, your
22 all's coalition with Santee Cooper and the way it's
23 working here in South Carolina. However, I just
24 wanted to make sure that you were aware of this
25 other process --

1 **DR. LYNCH:** Oh, yes.

2 **COMMISSIONER MITCHELL:** -- and that you -- we
3 have to always try to remember all the other people
4 involved, and ideas involved, when we present
5 something like this. But I want to commend you all
6 on the effort that's been done so far. It seems to
7 be working really well for South Carolina.

8 **DR. LYNCH:** Thank you.

9 **COMMISSIONER MITCHELL:** Thank you.

10 **CHAIRMAN FLEMING:** Are there -- Commissioner
11 Howard.

12 **VICE CHAIRMAN HOWARD:** A couple of questions.
13 On your slide, Mr. Long, I think you had hydro as
14 -- nameplate capacity was like 14 percent,
15 nameplate capacity on hydro. However, you used it
16 as only 3 to 4 percent. To me, hydro is a cheap
17 base-load type of generation. Why is it that the
18 nameplate capacity is so much higher than you're
19 using, or your usage is so much lower than your
20 nameplate capacity?

21 **MR. LONG:** Well, part of the nameplate is
22 going to include the Fairfield Pumped Storage, so
23 that's going to make that percentage larger, and
24 then based on the utilization when we're bringing
25 water down, it's not going to be like a base-load

1 unit, so the percentage is going to be smaller.
2 The run-of-river plants are relatively small
3 compared to Fairfield, and then we certainly have
4 Saluda, which we have several hundred megawatts of
5 nameplate but utilization is not all that great.

6 **VICE CHAIRMAN HOWARD:** Okay. There's always
7 conversation about the impending mercury emission
8 control. With the present scrubbers you've just
9 installed, according to you, I guess at Williams
10 and Wateree, what effect would mercury emission
11 control have on you? Would they be able to
12 eliminate most of the mercury, or how would that be
13 handled and at what cost?

14 **DR. LYNCH:** Well --

15 **MR. LONG:** Go ahead.

16 **DR. LYNCH:** Yeah. We know the scrubbers are
17 going to eliminate most of the mercury. I don't
18 know the percentage; it may be 60 percent. I'm not
19 sure our engineers know, either. But that's no
20 guarantee that will comply with the regulations,
21 because if the regulation is maximum achievable
22 control technology, that MACT standard, it may
23 require something else. And we've talked to the
24 engineers about it, and I think they -- before they
25 solve the problem, they're waiting to see what the

1 problem is, you know, what the regulations are
2 going to be. Hopefully, everybody is hoping that
3 the scrubbers, which eliminate a lot, would be
4 sufficient to meet the regulations.

5 **VICE CHAIRMAN HOWARD:** Okay. Yeah, I guess
6 we're all waiting to see what that'll be costwise.
7 Using your low-load scenario, you've got an
8 extremely high reserve margin from the years 2013
9 through 2020. They're all in the 20 -- 22.8, et
10 cetera. Do you all actively market wholesale
11 agreements during that time, or do you have to sort
12 of balance your low-load/high-load scenario? How
13 do you handle that much reserve margin or how can
14 you justify it?

15 **DR. LYNCH:** Well, if we go down that path,
16 because we have the existing capacity, you could
17 mothball or retire -- depending on regulations and
18 so forth. But we do have a power marketing group
19 that does look for opportunities to sell, if we
20 have it, if it's economical, if it helps the
21 system, you know, in our retail customer base. So
22 we would certainly do that, if we could.

23 **VICE CHAIRMAN HOWARD:** Okay.

24 **MR. LONG:** Part of that would be, would low
25 load be just affecting our system as something

1 unique to us, or would it be low load as affects
2 the regional system. That would maybe help
3 determine what the marketability of any excess
4 capacity would be.

5 **VICE CHAIRMAN HOWARD:** True, it could. Well,
6 I've got to ask this, being from the Lowcountry.
7 Just in the big picture, what impact does the
8 Boeing Company in Charleston, Boeing manufacturing
9 plant, have on your load and your transmission, if
10 that's significant or not?

11 **DR. LYNCH:** Transmission isn't significant.
12 The capacity, I think it's like seven or eight
13 megawatts, in that range. We're hoping that
14 there'll be a lot of other plants supplying Boeing,
15 because I heard on the news the other day maybe 20,
16 30 different suppliers that show up on the system
17 to supply them. So we're hoping that that will
18 grow into --

19 **VICE CHAIRMAN HOWARD:** But it wouldn't affect
20 your transmission? It wouldn't affect the
21 transmission?

22 **DR. LYNCH:** Not -- no, I don't believe so.

23 **VICE CHAIRMAN HOWARD:** Okay, thank you both
24 very much. I've enjoyed it.

25 **CHAIRMAN FLEMING:** Are there any questions?

1 [No response]

2 Well, I'd like to get your -- talk a little
3 bit about -- there's been a lot of discussion about
4 regional nuclear plants. And I just wondered if
5 SCE&G has discussed this, and exactly what your, I
6 guess, opinion of that is, at this time.

7 MR. LONG: We have -- we put together the
8 integrated resource plan around the customers we
9 serve, and our customers' needs. We've identified
10 the regional -- we've identified the capacity and
11 the generation that's needed for our customers.
12 And the term "regional" probably means further than
13 just our relationship with Santee Cooper and the
14 partnership.

15 CHAIRMAN FLEMING: Right.

16 MR. LONG: And I guess it has -- it may have
17 potential, but our focus has been on our customers
18 and what they need. And I don't know much more
19 than -- I'm not aware of any firsthand information
20 about discussions about the regional planning for
21 nuclear generators beyond the ones that we've shown
22 in our plan.

23 CHAIRMAN FLEMING: In the Southeast.

24 MR. LONG: That's right.

25 CHAIRMAN FLEMING: Okay, thank you. Are there

1 any more questions?

2 [No response]

3 All right. Well, this has been very
4 informative, and I really appreciate your being
5 here today. Mr. Burgess, do you --

6 **MR. BURGESS:** Madam Chairman, I would just
7 like to thank the Commission for your time and the
8 questions you've asked of us, and we appreciate
9 being here today. Thank you.

10 **CHAIRMAN FLEMING:** All right, thank you.

11 **MR. LONG:** Thank you.

12 **CHAIRMAN FLEMING:** This briefing is now
13 adjourned.

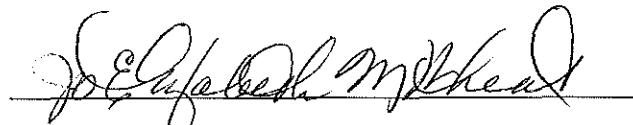
14 [WHEREUPON, at 11:35 a.m., the
15 proceedings in the above-entitled matter
16 were adjourned.]

17 _____

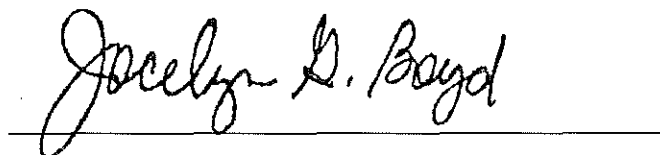
C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 15th day of April, 2010.


Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:


Jocelyn G. Boyd
INTERIM CHIEF CLERK/ADMINISTRATOR